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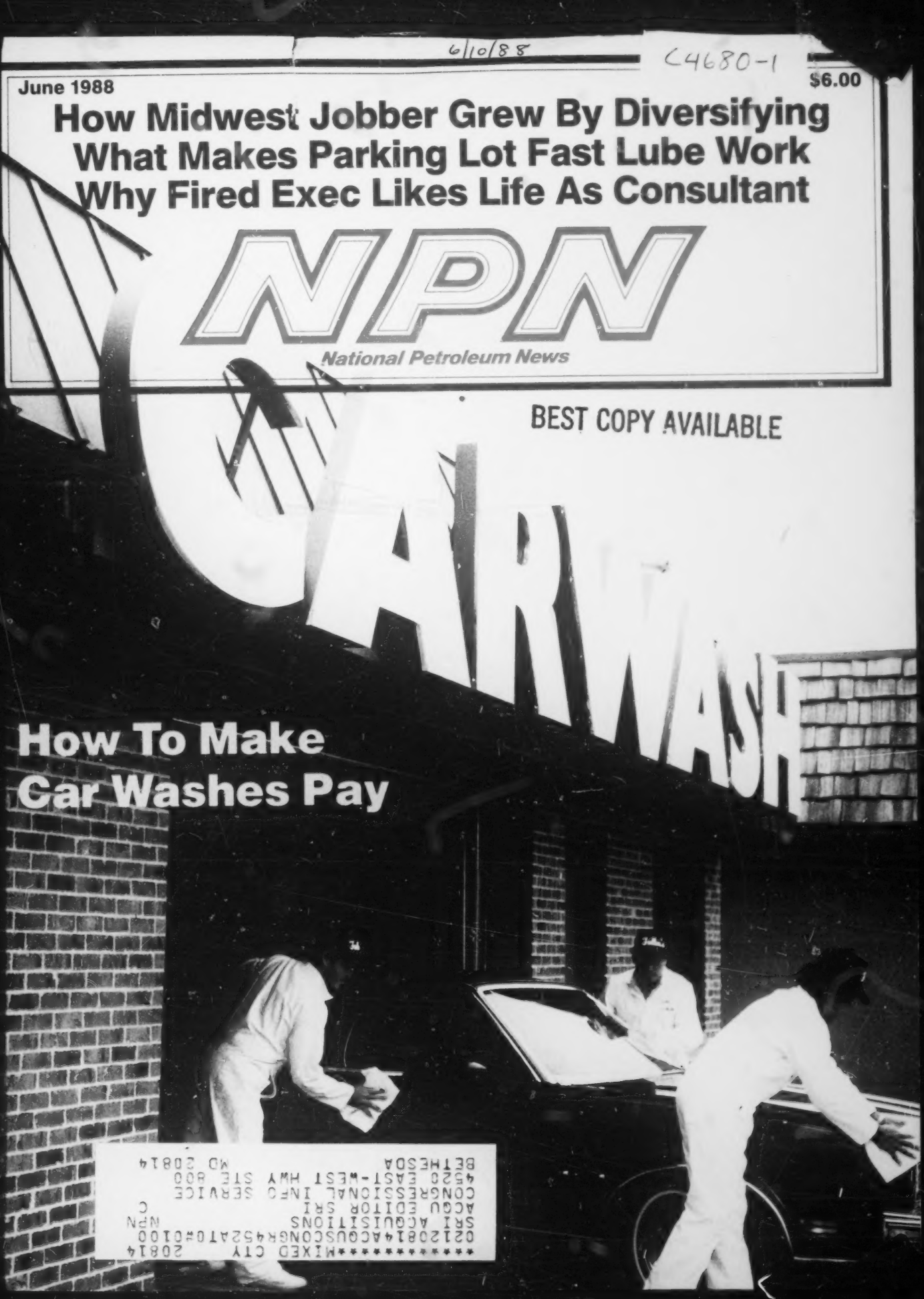

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Editor's Viewpoint

Legislation to raise the federal minimum wage from $3.35 to $5.05 an hour over the next four years was to have been voted on by the House of Representatives in April. However, this vote was delayed until mid-May, and there was some doubt it would be acted on even then. Speculation is that House leaders—already encountering tough lobbying from business groups—didn't like the message brought back to Washington by Representatives returning from Easter recess, where they apparently took heat from employers in their districts.

Although the bill is still alive and well, the vote delay is considered significant. One Washington source says it's "unheard of" for pressure from the business community to prompt such a delay in this kind of legislation.

The other key factor stalling action on the bill falls into the category of poetic justice. House Democrats ordered the Congressional Budget Office (CBO) to study the effects of an increased minimum wage. The Congressmen didn't like the results. The CBO estimates that the higher minimum wage will cost more than a half million jobs, slow economic growth and contribute to inflation. For some reason, that surprised them.

Even more ironic, according to a spokesperson from the National Assn. of Convenience Stores, is that this was the second report the CBO was told to do by the Congressmen. The findings of the first one were supposed to have been so bad that the report became very scarce very quickly, and the CBO was instructed to do the second study.

Let's hope the message gets through. It's an important issue. There may be jobbers who aren't interested because they don't pay minimum wage anyway. But they do have to pay a "competitive" wage, and that competitive wage will almost certainly rise if the higher minimum wage is enacted.

Competition, as usual, is the operative factor, and it will make the minimum wage irrelevant. Since the last minimum wage increase more than a decade ago, the largest single economic force in the country—the "baby boomers"—have for the most part progressed beyond entry level posts. So, there are a lot less employees available for entry level jobs. Or, to put it another way, there are more employers competing for fewer entry level employees and supply and demand may well drive up the entry level wages. That's the way the market works—but because it usually exerts itself gradually and in response to real conditions, it smooths out the bumps and makes transitions tolerable instead of traumatic. That's more than can be said of politically inspired government mandates.

—Frank M. Victoria

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Some old-line marketers might find it hard to believe, but car washes can deliver a self-sustaining profit stream beyond the "free-wash-with-fill" pitch. Here's how marketers make car washes pay. **Page 32**

Getting fired is usually a downer, but for veteran marketing exec Donald McCoy it opened the gates to a fascinating new career as a globe trotting consultant. **Page 48**

Here's a new wrinkle in the fast-growing lube service business—a parking lot lube service that makes money. Entrepreneur Christian Vigneaud signs up the company first, then the company's parking lot users. **Page 52**

• TRENDS

Antifreeze Squeeze Bodes Higher Prices

Antifreeze is expected to be costlier and harder to get come winter. Prices did not fall last winter as they almost always did in the the past, and the reason why is a forewarning that even higher prices are coming in the season ahead.

A common complaint of antifreeze suppliers in the past has been that no matter how good the situation looked going into the winter season, prices have always managed to tumble, somehow. "That's right – long supply and cratering prices – but that's anything but the case today," a chemical supplier says.

The reason is that there's a serious worldwide supply pinch on ethylene, one of the principal components of ethylene glycol or antifreeze.

If you saw national brands on store shelves last year for $4.99 a gal. or thereabouts, and private brands for $3.49 or thereabouts, you might prepare yourself to see $6.99 or higher and $4.99 or higher, respectively, trade reports indicate.

A recession might slow down EG sales and take the pressure off antifreeze prices and supplies, but this isn't considered likely, particularly in an election year when so much rides on how the economy is running.

Antifreeze producers, or blenders, begin in April, May, and June to make arrangements to take deliveries from EG manufacturers July through September for the consumer buying surge coming October through December.

A major EG manufacturer reported in April, "Producers of antifreeze who normally buy ethylene glycol right now are finding it more difficult to get suppliers to commit volumes to them. They're finding out some suppliers may want to limit them, or may be indefinite as to how much they will commit."

Such tightness goes hand in hand with price increases. EG suppliers have been jumping prices for seven or eight months, with wholesale prices at first rising a dime or 15¢, then jumping 30¢, adding up to a total increase of $1-$1.25 already in April.

A salesman for a major EG manufacturer says Texaco jumped its EG price 80¢ a gal. in April, and he admitted, "I don't know when this is going to stop."

One of the main reasons for the squeeze is that ethylene, which is the tight component, can be used in the manufacture of more profitable products. Some such products mentioned in the trade are polyester fibers, polyester film, and polyester bottles, emphasis on the last.

The current prime culprit is considered to be plastic bottles such as liter plastic bottles for soda pop, squeezeable bottles for ketchup, mustard, etc.

Other problems are that exports from the United States have risen, and there have been plant problems around the world, particularly in Brazil, which is a big supplier to the U.S. Northeast.

The available ethylene seeks its most profitable use, with few favors given. A case in point is that although Du Pont is a major manufacturer of ethylene, its subsidiary, Conoco, is thinking of pulling out of the antifreeze market—maybe.

Glenn Personey, Conoco's manager of packaging and distribution, lubes and antifreeze, reports, "Were in the middle of an economic analysis to figure out what's best for us."

He says there are three alternatives: 1) Purchase ethylene glycol and continue to blend antifreeze using some kind of "contract packager supply system;" 2) obtain "turnkey" supplies of antifreeze, which would have the advantage of getting rid of the capital requirements of maintaining a national antifreeze supply system; and 3) withdraw from the market. "I guess there's some possibility of that, but I wouldn't say it's really great," he adds.

Higher antifreeze prices could hurt sales. A chemical supplier says, "When people start to look at maybe paying $7 or more for antifreeze versus the $2.99 they might be used to, some will think twice about changing it this winter.

—by Mark Emond

• MARKETPLACE AT A GLANCE

AVERAGE GASOLINE PRICES IN THE U.S. (per gal.)

MARCH	Gasoline (All types)	Leaded Regular	Unleaded Regular	Unleaded Premium
U.S. City Avg.	$0.920	$0.850	$0.904	$1.074
Regions:				
Northeast	.967	.879	.931	1.106
North Central	.904	.855	.899	1.054
South	.920	.843	.899	1.067
West	.901	.845	.894	1.059

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

STOCKS (Add 000 bbl.)

	4/29/88	5/1/87
Gasoline (Total)	229,992	243,479
Gasoline (Unleaded)	146,233	142,008
Jet kerosine	37,771	40,894
Distillates	94,616	100,151
Residual	40,916	38,034

** Included in gasoline total*
Source: American Petroleum Institute

Exxon (Ho Hum) Tops All Comers In Asset Values

Exxon, which has been the biggest U.S. oil company for so long it's hard to remember when it wasn't, grew a bit more in 1987—about $5-billion worth.

Exxon's total assets, according to its annual report, amounted to $74.1-billion last Dec. 31, up 6.6% over 1986 and a new all-time high for the 20th consecutive year.

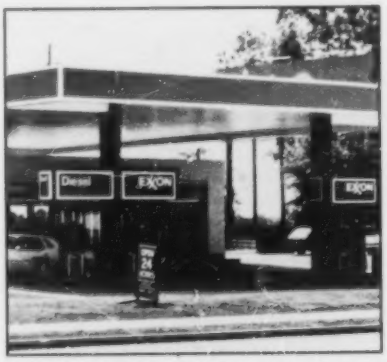
Second place in the standings belongs to Mobil Corp., a giant in its own right but only a little more than half the size of the No. 1 company. Mobil's assets were $41.1-billion, an increase of 4.4% over 1986.

Chevron, which has been playing sort of a musical chairs game with Texaco in recent years, edged ahead of the beleaguered White Plains (N.Y.) oil company again and took command of the No. 3 place in the standings.

Texaco was fourth, followed by Shell, which has been firmly ensconced as No. 5 for three years. Shell experienced a 13% growth in assets in 1987, making it the leading ground gainer of the year, percentage-wise.

Four oil companies with assets of $1-billion or more saw their totals in 1987 achieve new all-time highs. They were Exxon, Shell, BP-America and American Petrofina. BP-America recorded a 15.5% growth in 1986, primarily as a result of the take-over of The Standard Oil Co. by BP-London last summer, a reshuffling of assets and a restatement of their values.

Looked at from another angle, however, this means that the two fastest growing oil marketers in the U.S., in terms of assets, last year were the American subsidiaries of British and British-Dutch conglomerates.



In round terms, 1987 was a relatively good year for most of the oil marketers in the enhancement of their assets. Two out of three of the top 23 companies improved their positions in 1987. But—and this is a relatively big "but" too—all but Exxon, Shell, BP-America and American Petrofina are still looking back at peak years which occurred from two to five years ago.

Below is the boxscore for easy reading and comparisons:

Assets And Peak Values Of Top Oil Marketers

(in billions of dollars)

	Rankings		Current Assets			Peak Assets		
	1987	1986	1987	1986	% Chng.	Year	Assets	% Chng.
Exxon	1	1	$74,072	$69,484	6.6%	1987	$74,072	0.0%
Mobil	2	2	41,140	39,412	4.4	1984	41,851	(1.7)
Chevron	3	3	34,465	34,583	(0.3)	1984	45,404	(24.1)
Texaco	4	4	33,962	34,940	(3.0)	1984	37,774	(10.1)
Shell	5	5	29,634	26,214	13.0	1987	29,634	0.0
Amoco	6	6	24,827	23,706	4.7	1983	25,805	(3.8)
BP-America*	7	8	23,287	20,169	15.5	1987	23,287	0.0
Arco	8	7	22,670	21,604	4.9	1983	23,282	(2.6)
Tenneco	9	9	18,500	18,021	2.7	1985	20,437	(9.5)
Conoco	10	10	13,300	13,000	2.3	1985	14,115	(5.8)
Sun	11	12	12,580	12,396	1.5	1985	12,923	(2.7)
Phillips	12	11	12,111	12,403	(2.4)	1984	16,955	(28.6)
Unocal	13	14	10,062	10,246	(1.8)	1985	10,797	(6.8)
Marathon	14	13	9,475	11,022	(14.0)	1986	11,022	(14.0)
Coastal	15	15	7,989	7,887	1.3	1985	8,258	(3.3)
Amerada Hess	16	16	5,300	4,914	7.9	1984	6,353	(16.6)
Ashland	17	17	4,058	3,805	6.6	1983	4,210	(3.6)
Dia. Sham.**	(c)	18	—	3,517	—	1983	6,024	—
Pennzoil	18	19	3,305	3,369	(1.9)	1983	3,517	(6.0)
Kerr-McGee	19	20	3,071	3,090	(0.6)	1983	3,806	(19.3)
Murphy	20	21	2,067	1,980	4.4	1982	2,990	(30.9)
Am. Petrofina	21	22	1,836	1,777	3.3	1987	1,836	0.0
Citgo	22	23	1,191	1,209	(1.5)	1982***	1,397	(14.7)

*Formerly The Standard Oil Co., taken over 100% by BP-London and assets restated for 1986 and 1987 to reflect new U.S. company; **Diamond Shamrock split itself into two companies in 1987, upstream exploration and production and downstream refining and marketing; assets of the new downstream company were less than $1-billion—$825-million to be specific; ***Citgo had assets of $6.0-billion in 1981 but that was before it was dismantled by new take-over owners.

Benign '87 Octane Report Trails Marketplace Fervor

Although octane numbers have been moving up for some time, those of last summer (1987) showed little improvement over prior years, according to the latest report of the National Institute for Petroleum Energy and Research.

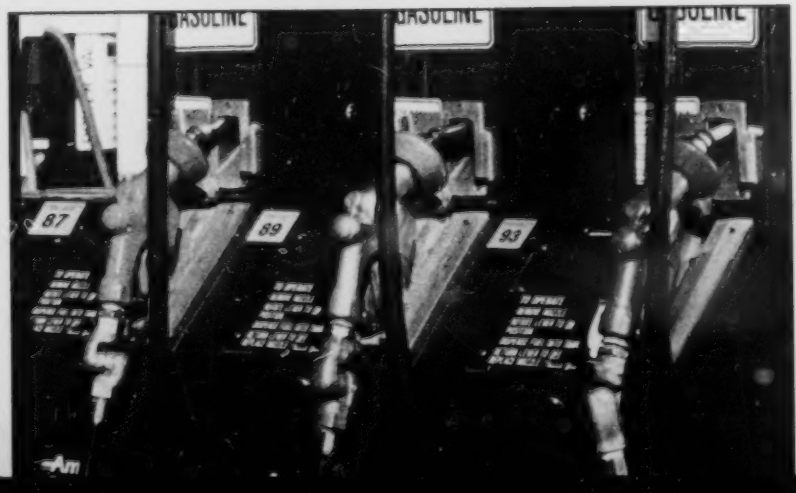
The new semi-annual survey, published in April, pegged premium-grade octane numbers at 91.8 in the warm weather months of 1987, with unleaded regular at 87.4 and leaded regular at 88.7. This was an increase over the preceding summer of one-tenth of a point for the premium grade, a standstill for unleaded regular and a decline of one-tenth of a point for leaded regular.

National Gasoline Octanes, Summer 1987
(R+M divided by 2)

Year/Season	Leaded Regular(a)	Unleaded Regular(b)	Premium(c)
1987 Summer	88.7	87.4	91.8
'86/'87 Winter	88.7	87.2	91.8
1986 Summer	88.8	87.3	91.7
'85/'86 Winter	88.8	87.3	91.8
1985 Summer	88.8	87.4	91.7
'84/'85 Winter	89.1	87.4	91.6
1984 Summer	89.0	87.3	91.7
'83/84 Winter	88.8	87.3	91.3
1983 Summer	89.0	87.5	91.4
Regional Octanes			
Northeast	89.1	87.7	91.9
Mid-Atlantic	89.3	87.5	92.0
Southeast	89.1	87.4	92.1
Appalachian	89.1	87.5	92.0
Michigan	89.2	87.4	91.7
North Illinois	89.1	87.2	91.6
Cent. Miss.	89.1	87.4	91.7
Lower Miss.	89.2	87.4	91.8
North Plains	88.5	87.1	92.0
Central Plains	88.5	87.3	91.2
South Plains	88.9	87.2	92.0
South Texas	89.2	87.5	91.8
S. Mountain Sts.	87.6	87.1	91.8
N. Mountain Sts.	87.3	86.8	91.4
Pac. N'West	88.3	87.1	91.7
N. Calif.	88.1	88.1	92.1
S. Calif.	88.3	87.5	92.0

(a) Below 93 octane; (b) Below 90.0 octane; (c)90.0 octane and above. R+M divided by two is the federal formula meaning Research plus Motor numbers divided by two.

Source: Motor Gasoline, Summer 1987, National Institute for Petroleum Energy and Research, Bartlesville, Okla., published March 1988.



A new survey covering last winter (1987-88) was completed recently and the statistics are being collected now and analyzed in Niper's Bartlesville, Okla., headquarters but the results will not be known until next fall. This is the normal tracking pattern for these semi-annual studies sponsored by industry and government.

What makes the summer-1987 study seem so bland is the fact that virtually all of the big oil companies and most of the smaller ones are currently selling premium grades with an octane number of 92.0 and better. Many are at the 93.0 level. Some of the alcohol-enhanced gasolines are at 92.0 to 93.0 and at least one in South Texas scored 93.8.

That's not all, by any means. Sun, in mid-April, announced that hundreds of stations supplied by its Marcus Hook, Pa., refinery are now selling 94.0 octane. Sun had been the highest in all marketplaces for the past three or four years with a guaranteed number of 93.5 octane at all of its premium grade pumps.

There's at least one blender on the East Coast who's selling 95.0 octane via his own stations and his jobber-supplied outlets [*NPN*—April '87, Page 21].

Meantime, this is what the latest Niper survey showed for the past five years:

Audi Favors Additives For Car Performance

After evaluating the value of gasoline additives, auto manufacturer Audi of America joined BMW when it acknowledged that additives are effective in cleaning the entire fuel intake system in vehicles.

To prevent deposits from forming, Audi recommends its owners use a fuel additive which contains Techron, which is formulated to help keep valves and intake ports clean. For years, BMW has been recommending periodic use of Techron, which is manufactured by Chevron, to maintain a clean intake system and prevent engine hesitation, stalling, loss of power, reductions in fuel economy and an increase in exhaust emissions.

Texaco Endorses Lead Substitute

Citing company tests and research, Texaco recommended ValvTect Protective Lead Substitute for marine engines.

Texaco called the additive the "most effective of those evaluated to date." ValvTect was chosen because of test data and its nationwide availability to customers.